Semi-Annual Report on Merger Progress

February 1, 2018

Purpose

In the spring of 2016, the Boards of AgCountry and United FCS began discussions to consider the possibility of combining operations. Both organizations were financially healthy and customer and community focused. After conducting a thorough and extensive due diligence review, each Board concluded that merging these associations was in the best interest of the shareholders of both associations.

In their due diligence, the Boards identified potential advantages and disadvantages that could be realized as a result of a merger of AgCountry and United FCS. One of the Conditions of Merger imposed by the Farm Credit Administration (FCA) required the AgCountry Board of Directors to communicate in writing to stockholders on a semi-annual basis on the status of the advantages and disadvantages specified in the merger disclosure. The purpose of this report is to communicate and address these advantages and disadvantages, and further address any actions the Board has or will implement to address each advantage not realized and each disadvantage realized.

Advantages identified by the Boards, and included in the disclosure statement provided to all shareholders, included:

A. Larger Capital Base to Serve All Aspects of Agriculture
B. Economies of Scale and Synergies.
C. Portfolio Diversification
D. Human Capital
E. Improved Strategic Position.
F. Meeting the Unique Needs of YBS.
G. Enhanced Diversity and Inclusion.
H. Strengthened Mission Capability

Potential disadvantages identified by the Boards, and included in the disclosure statement provided to all shareholders, included:

A. Operational Risks During Integration
B. Reduction in Number of Directors
C. Loss of Local Control.

Examination of Expected Advantages

A. Larger Capital Base to Serve All Aspects of Agriculture

The Merger increases the capital base. A larger combined capital level is expected to better position AgCountry to meet the needs of its customers on a more safe and sound basis. A larger overall capital level should increase lending limits which should better serve loan customers by allowing the combined

Association to take larger hold positions in loans consistent with prudent underwriting standards. The increased total capital also reduces large loan concentration risk.

Result: This advantage has been realized through the merger.

Total capital for the pre-merger associations as of December 31, 2016, was $305.5 million for United FCS and $1.17 billion for AgCountry Farm Credit Services, for a total of $1.47 billion. As of December 31, 2017, total capital for the combined association was $1.58 billion, which represents an increase of 7.5%. This larger total capital level better positions AgCountry to meet the needs of its customers on a more safe and sound basis. Likewise, the increased capital base contributed to greater lending capacity than the predecessor associations, including increased lending and hold limits, increased earnings from larger hold positions, and ability to serve large borrowers with less reliance on participants

At June 30, 2017, United FCS and pre-merger AgCountry individually had FCA lending limits of $42.46 million and $166.06 million, respectively. The FCA lending limit was $209.45 million at July 31, 2017, a $166.98 million increase compared to the United FCS June 30, 2017, FCA lending limit and a $43.39 million increase compared to the AgCountry FCA lending limit. The increased lending limit allows the merged Association to increase its hold position on loans in its portfolio.

Further, while large loan concentration risk is only slightly diluted as several large loans were held by both associations pre-merger, United FCS's previous larger holds are no longer considered large in the merged association with higher capital.

B. Economies of Scale and Synergies.

The merger is expected to yield economies of scale and synergies, allowing for modest economies of scale, synergies and operating cost savings. The incremental scale will allow AgCountry to mitigate adverse impacts on profitability from investments in new products and services and enhancements to our information technology systems and back-office operations. Cost savings from eliminating duplicative functions should provide modest improvements to our profitability. Cost savings from the merger are expected to be approximately $5.4 million annually as compared to the combined operating budgets of both Associations as stand-alone institutions.

Result: The AgCountry Board continues to work on realizing this advantage through careful management of operating expenses.

Operating expenses from AgCountry and United FCS combined for year-end 2016 were $103.1 million (before FCSIC expenses). For year-end 2017, operating expenses for AgCountry and United FCS totaled $110.8 million (before FSCIC expenses). Operating expenses for 2018 are budgeted to drop $4.2 million to $106.6 million.

Although projected in the Merger Disclosure at around $10 million, merger expenses in 2017 totaled $6.6 million, including both one-time merger expenses and expenses necessary to comply with certain conditions of merger imposed by the Farm Credit Administration for Internal Control over Financial Reporting (ICFR) attestation and stress testing validation. One-time merger costs incurred in 2017 were approximately $5.5 million, relating to severance and retention payouts, technology conversion costs, and other merger related expenses. ICFR costs incurred in 2017 were $691,000, and stress testing costs incurred in 2017 were $405,000.

For 2018, the Association budgeted operating expenses are $106.6 million (before FCSC expenses). This includes ongoing expenses relating to compliance with the conditions of merger (ICFR and stress testing) of approximately $880,000 per year.

Identified cost-savings resulting from the merger include the following:

- Decrease in total salaries and incentive expenses for eliminated positions
- Reduced Interest Expense on direct note with AgriBank due to lower wholesale margin with a larger average loan
- Elimination of cost to maintain the Capital Sharing Agreement United FCS had with AgriBank to improve capital ratios

These cost savings are not apparent in a dollar for dollar reduction in total operating expenses budgeted for 2018, as AgCountry is reallocating and reinvesting many dollars back into the association, our members, our employees and rural communities:

- Increased commitment to benevolence and rural communities to $1,000,000.
- Increase commitment to employee training and engagement
- Capital purchases for technology upgrades
- Investment in “implementation specialists" to assist with bringing new products to market

In summary, with the economies of scale and synergy we are seeing improvements in cost efficiency in the merged association compared to the individual associations pre-merger; however, added costs from conditions of merger have reduced the extent of the currently efficiencies and cost savings realized to date.

C. Portfolio Diversification

Enhanced Geographic Diversification. The merger should provide modest portfolio diversification benefits, as the combined portfolio will be spread over more diverse operations (even though there is substantial overlap in the types of customers/industries that the Associations serve). That said, most of the AgCountry’s volume remains related to crop production of various commodities, so crop production remains a concentration risk as it is currently for each individual Association. The benefit of the merger is that these loans will be spread over a larger geographic area, insulating AgCountry from losses caused by localized weather patterns and soil types. Also a broader three state territory will result in AgCountry being less exposed to an economic downturn affecting a portion of our marketplace.

Result: This advantage has been realized through the merger.

The merger was successful in enhancing portfolio diversification for both predecessor associations, reducing risk concentrations among industries, commodities, and loan types.

Geographic diversification: The legacy United portfolio was primarily concentrated in Minnesota and Wisconsin while the legacy AgCountry portfolio was primarily concentrated in North Dakota and Minnesota. The merger resulted in lower concentrations in North Dakota, slightly higher concentrations in Minnesota spread across a larger footprint, and lower concentrations in Wisconsin. The larger territory benefits both United FCS and pre-merger AgCountry by reducing the possible impact of a single weather event on the profitability and credit quality of the merged Association.

Industry/commodity diversification: The legacy United portfolio was concentrated in cash grains, sugar beets and dairy. The legacy AgCountry portfolio was also concentrated in cash grains and sugar beets; however, the AgCountry portfolio also had concentrations in ethanol and elevators & grain handling. The merger resulted in a more diversified portfolio with lower concentrations in dairy, sugar beets and ethanol.

Loan Type: By loan type the legacy United portfolio had a higher percentage of real estate mortgage loans than the legacy AgCountry portfolio and the legacy AgCountry portfolio had a higher percentage of processing and marketing loans. The merger resulted in a portfolio more evenly balanced with lower percentages of each.

(Exhibit A provides further details on Section C.)

D. Human Capital

From a human capital perspective, the merger is expected to be beneficial in several ways. The merger should provide additional staff depth and create more opportunities to build succession at all organizational levels. AgCountry should be better positioned to attract and retain employees with the necessary skills in an ever more competitive hiring and operating environment. The merger should result in more resources and capacity being available to provide a greater degree of specialization, and that specialization should allow AgCountry to provide enhanced products and services to its customer base. Increased specialization and resources should also provide the means to develop and implement more specific initiatives to expand opportunities for young, beginning and small farmers and ranchers. Additionally, the ability to have a higher degree of specialization should equip AgCountry to be more responsive to increased reporting and regulatory requirements.

Result: This advantage has been realized through the merger.

Because of the diverse experience, perspective and expertise of staff, the depth of human capital has been enhanced. Examples of the additional staff depth and increased opportunities include the following:

1. Effective January 1, 2018, upon the retirement of Bob Bahl, Marc Knisely transitioned to the position of CEO.
2. The depth and reputation of the AgCountry Agribusiness and Capital Markets team has enhanced the management of capital markets related loan assets and has increase opportunities in the United FCS territory.
3. Availability of in-house legal counsel for United FCS related transactions, providing more convenient resources and reducing costs.
4. Utilization of team-based specialists has provided for new opportunities and adequate staff backup.
5. More jobs postings are flexible as to location as technology enhances our staff’s ability to work from any location across the association.
6. A new Succession/Leadership plan is being determined with the instillation of the new CEO.

Further, all positions were reviewed for necessity during the merger integration process. Positions retained are currently full. New positions created as a result of either merger or ICFR are scheduled for recruitment. 2018 will see a full market review for compensation.

AgCountry is currently examining how to best leverage our greater degree of specialization to enhance services to our customer base, including young, beginning and small farmers and ranchers.

E. Improved Strategic Position

The merger should enhance AgCountry's position to address future organizational changes. As a larger organization, AgCountry should be better positioned to represent and serve its members, regardless of future mergers between other associations. Furthermore, AgCountry should remain a viable competitor to commercial banks within the territory, thus providing more choice to agricultural producers in securing financing.

Result: This advantage has been realized through the merger.

"Bringing more to the table" is AgCountry's key message to the marketplace. Activity post-merger supports this idea of that AgCountry brings more to the table for our members than our competitors. AgCountry's position as a recognized and engaged thought leader brings value to our members across many levels, and management's involvement within the Farm Credit System has remained strong before and after the merger. At the Farm Credit System level, AgCountry was invited by other large System Associations to be a sustaining partner and participate in an extensive capital/System structure study. Likewise, AgCountry now holds three seats (compared to two total pre-merger between AgCountry & United FCS) on the AgriBank District Farm Credit Council, which increases our representation with our funding bank. AgCountry also has a board member serving on the Farm Credit Council Board of Directors and two members from our territory serving on the AgriBank Board of Directors. Directors and staff are engaged in public policy at a federal level and at the state level in Minnesota, North Dakota and Wisconsin.

AgCountry has also committed over $1,000,000 annually in support of quality of life and vital community services within our LSA. In 2017, through its Grain Bin Rescue program, AgCountry donated 12 grain bin rescue units to area fire departments and provided vital life-saving training on grain bin safety. Ultimately, our reputation of value creation will translate into enhancing the success of shareholders and the communities we serve.

F. Meeting the Unique Needs of YBS

As a result of this merger, greater financial strength, stability and resources should likely lead to enhanced member services. Additional staff resources should be available to focus on young, beginning, and small farm sectors, and that focus should lead to better service through programs specialized to address their unique needs.

Result: This advantage has been realized through the merger.

The Young, Beginning, and Small Farmer and Rancher Program allows AgCountry to serve the credit and service needs of this vital segment of the agriculture industry. AgCountry holds regular meetings with a YBF Advisory Committee twice per year in order to discuss and better understand the needs and challenges of this segment. Since the merger we have added a young farm couple from the South Region in Southern Minnesota to the Committee. Two YBF couples also participated in a Washington D.C. fly-in with AgCountry staff and representatives across the Farm Credit System to advocate on behalf of agriculture, rural communities and the importance of the Farm Credit System. In addition, we have scheduled our first ever Young Farmer Conference for February 20th, 2018, in Alexandria, Minn. YBSF metrics will be gathered in February for annual reporting to FCA.

G. Enhanced Diversity and Inclusion

AgCountry should provide opportunities to enhance diversity and inclusion within the organization. The merger should provide for additional resources to invest in the organization's diversity and inclusion efforts both internally and externally. Specifically, AgCountry should be able to expand its current efforts to provide support to local food systems and community gardens, as well as work with community venture capital firms focused on investing in young, beginning and entrepreneurial farmers. AgCountry should also have the depth of resources to perform research and development into new products and improve existing products to continue to provide the solutions needed for today and tomorrow's agriculture.

Result: This advantage has been realized through the merger.

Employment-related diversity and inclusion efforts continue including expanded recruiting/posting outlets (such as Hire a Hero). Higher education relationships exist across the Association's geographic footprint. An Affirmative Action Plan will be completed in early 2018 by Farm Credit Foundations and will result in further review.

The new territory expands the geographic diversity of our customers and products. Young, Beginning and Small farmer groups are expanded along with some non-traditional borrowers such as Amish and Mennonite producers with very diverse needs.

H. Strengthened Mission Capability

The merger should result in a combination of the unique skill sets and experiences of the two staffs, thus broadening their capabilities. This, coupled with a strong financial and credit profile, should further strengthen AgCountry's capacity to fulfill its mission of providing credit for all facets of agricultural lending in its territory.

Result: This advantage has been realized through the merger.

We have broadened our lending scope by adding home loans to our list of products and services offered in limited parts of our LSA. We will be assessing in 2018 how we expand this product line for the rest of AgCountry. In addition, we have added the much requested service of succession and retirement planning for our South region, and potentially will offer it in the East region towards the end of 2018. We continue to aggressively train our teams to fully understand the needs and goals of each customer and provide counsel that helps the customers effectively analyze their operation's performance. This allows customers to make better informed decisions.

In addition, the Board of Directors declared a patronage distribution of $31,000,000 as a result of 2017 earnings. When combined with the $3,450,000 declared by the United FCS Board prior to the merger, AgCountry will be distributing $34,450,000 in refunds to its patrons.

Examination of Potential Disadvantages

A. Operational Risks During Integration

Combining the daily operations of two Associations can initially create a strain on employees and processes. Certain aspects of each Association's financial services, credit origination and servicing practices may change. These changes could be disruptive and adversely impact customer service until the associations become fully integrated. In addition, United FCS's data and technology infrastructure was converted to AgCountry systems on the effective date. This conversion created data risk and operational challenges during the conversion and process of learning new systems.

Result: The AgCountry Board and management team continues to manage and pay close attention to any operational disruption that may impact customer service in order to minimize the impact of this disadvantage.

We believe the merger integration process continues to be successful, with little disruption in customer service. Staff have adapted to the new technology systems very well. Resources have been put in place to further assist with the transition in training and help desk support. Network and system speeds created some issues, but AgCountry has invested in moving to Windows 10 along with new computers and equipment (in process Q1 2018), which should alleviate many of those issues. Those who have received new hardware have reported improved performance.

Operational changes are being made to modify customer payment schedules as converted to better align with pre-merger functionality. Training on these changes was completed prior to 12/31/17, with the implementation phased in over 2018. AgCountry provides electronic copies of year-end annual transaction summaries to all customers. To simplify customer and staff experience at year-end for the former United FCS customers, printed copies of the annual transaction summaries were mailed to all customers in former United FCS branches. The statement will cover transactions for the period post-merger.

Due to a vendor error, some customer received duplicate 1098 and 1099 forms. Communication to impacted customers was promptly provided, and corrected forms are being processed.

B. Reduction in Number of Directors

The merger will reduce the number of overall directors. AgCountry will have a higher number of shareholders per director position than the two separate Associations. This may present a challenge for the Board to remain aware of, and responsive to, the evolving needs of AgCountry's various customer segments and across the marketplaces we serve.

Result: This disadvantage has not been realized.

Initial Board size and a Board reduction process was approved by shareholders as part of the merger proposal. The Association has successfully implemented the first two stages of the downsizing and has the final downsizing step in place for the August 2018 Annual Meeting.

Customer-owners continue to have ample opportunity to interact with AgCountry's directors. Access to Directors is enhanced with technology and geographic location of directors is not viewed as a significant communication challenge. Board members clearly understand that they represent all Association shareholders regardless of their nomination area or community affiliation. The Board Governance Committee continues to study best practices around Board size and effectiveness of Board operations. The Association plans to expand shareholder focus group activities and monitor shareholder satisfaction on an ongoing basis.

Further, we haven't seen a material change in shareholder participation or engagement post-merger. Given active shareholder engagement in approving the merger proposal and subsequent director elections, reduction in number of directors is no longer viewed as a disadvantage.

C. Loss of Local Control

Although no changes to the local branch offices or staff are planned as a part of the merger, for certain shareholders the merger may be perceived as resulting in a loss of control due to the larger chartered territory. However, the increasing use of technology to conduct business tends to make geographic considerations less important.

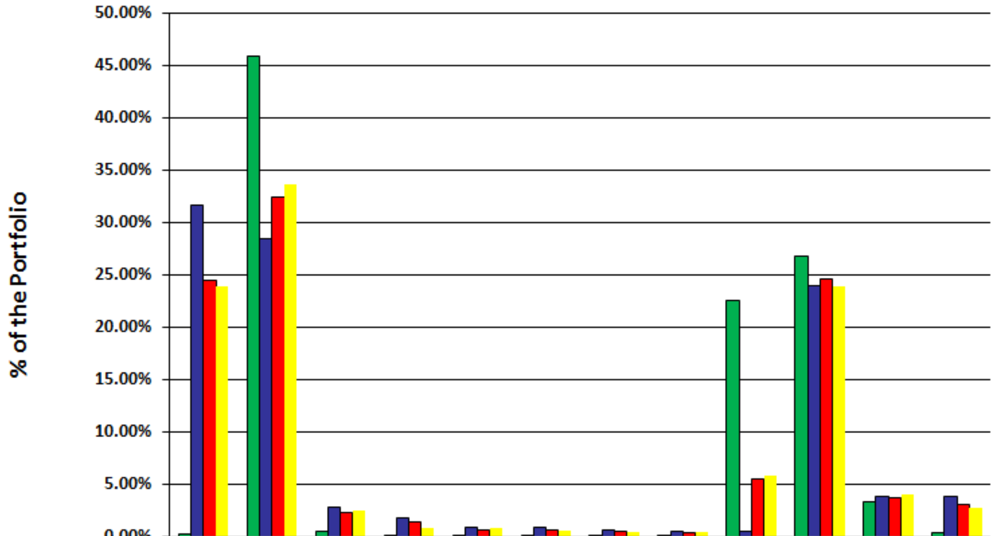
Result: This disadvantage has not been realized.

"Local" is a relative term based on perspective and difficult to quantify in today's global society/marketplace. However, AgCountry maintains a strong customer focus at the local level as well as diligent communication with members on issues of importance to the merged Association. Customer meetings, appreciation events and education events will continue to be held across the territory.

As a cooperative, each stockholder has one vote and a right to exercise that vote on matters that pertain to Association governance. Additional size and scale can provide more options and opportunities to vote on matters impacting shareholders. Further, we haven't seen a change in shareholder participation or engagement post-merger.

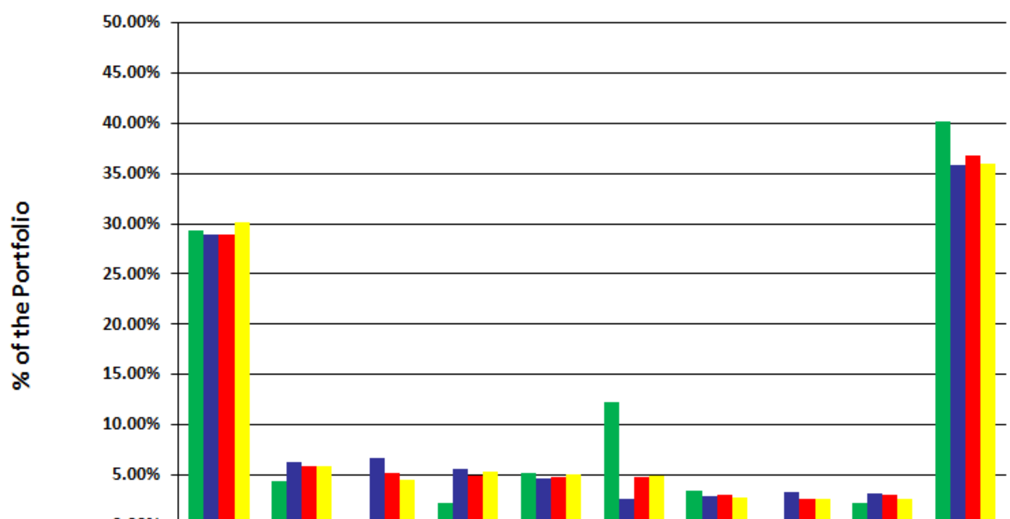
EXHIBIT A

Loans & Leases (commitment) by Geographic Location 12/31/2017



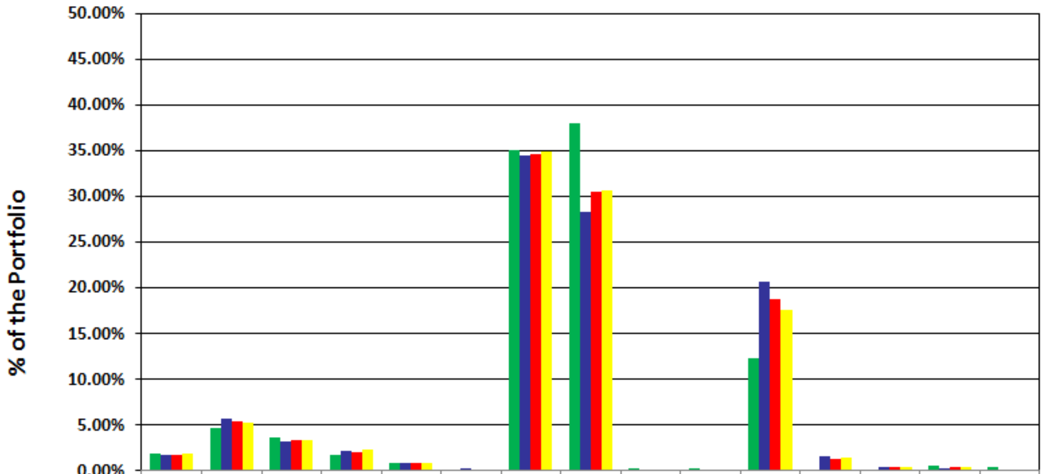
	ND	MN	SD	IA	NE	CA	IL	AZ	WI	CFG	ProP	Other
06-30-17 United %	0.32%	45.88%	0.49%	0.02%	0.02%	0.01%	0.10%	0.02%	22.57%	26.82%	3.32%	0.43%
06-30-17AgCountry %	31.69%	28.47%	2.84%	1.78%	0.91%	0.87%	0.63%	0.57%	0.55%	24.04%	3.83%	3.82%
06-30-17 Merged %	24.55%	32.43%	2.31%	1.38%	0.71%	0.68%	0.51%	0.45%	5.56%	24.67%	3.71%	3.05%
12-31-17 Merged %	23.95%	33.61%	2.45%	0.82%	0.91%	0.58%	0.52%	0.42%	5.86%	23.95%	4.10%	2.83%

Loans & Leases (commitment) by Commodity 12/31/2017



	Cash Grains	Sugar Beets	Ethanol	Elev./Grain Handling	General Farms	Dairy	Electric Service	Corn	Potatoes	Other
06-30-17 United %	29.27%	4.33%	0.52%	2.21%	5.17%	12.19%	3.46%	0.42%	2.24%	40.20%
06-30-17 AgCountry %	28.91%	6.25%	6.63%	5.67%	4.72%	2.58%	2.88%	3.28%	3.23%	35.85%
Merged % 06-30-17	28.99%	5.82%	5.26%	4.89%	4.82%	4.74%	3.01%	2.63%	3.00%	36.85%
Merged % 12-31-17	30.19%	5.85%	4.57%	5.40%	5.05%	4.91%	2.79%	2.67%	2.59%	35.98%

Loans & Leases (commitment) by Loan Type
12/31/2017



	Com.	Coop	Energy	FRB	Intern.	Leases	Prod. & Inter. Term	Real Estate Mtge.	RR RE	Water & Waste Mgmt.	P&M1 >50%	P&M2 ≤50%	P&M3 ≥25%	P&M4 Dir Ext	Other
06-17 United %	1.92%	4.75%	3.73%	1.71%	0.91%	0.00%	35.09%	37.98%	0.27%	0.25%	12.34%	0.00%	0.00%	0.64%	0.41%
06-17 AgC %	1.77%	5.70%	3.20%	2.19%	0.84%	0.21%	34.47%	28.28%	0.00%	0.16%	20.66%	1.62%	0.47%	0.33%	0.10%
Merged % 06-17	1.80%	5.48%	3.32%	2.08%	0.86%	0.16%	34.61%	30.49%	0.06%	0.18%	18.76%	1.25%	0.37%	0.40%	0.18%
Merged % 12-17	1.88%	5.32%	3.40%	2.40%	0.88%	0.07%	34.94%	30.71%	0.06%	0.11%	17.68%	1.52%	0.42%	0.45%	0.16%